



Economics General Course Year 12

Selected Unit 3 syllabus content for the

Externally set task 2021

This document is an extract from the *Economics General Course Year 12 syllabus*, featuring all of the content for Unit 3. The content that has been highlighted in the document is the content on which the Externally set task (EST) for 2021 will be based.

All students enrolled in the course are required to complete an EST. The EST is an assessment task which is set by the Authority and distributed to schools for administering to students. The EST will be administered in schools during Term 2, 2021 under standard test conditions. The EST will take 50 minutes.

The EST will be marked by teachers in each school using a marking key provided by the Authority. The EST is included in the assessment table in the syllabus as a separate assessment type with a weighting of 15% for the pair of units.

Unit 3 – Microeconomics

Unit content

This unit includes the knowledge, understandings and skills described below.

Economic knowledge and understanding

Markets

- the characteristics of a market economy
- the distinction between product and factor markets
- the distinction between competitive and non-competitive markets

Demand, supply and equilibrium

- the law of demand
- the relationship between individual and market demand schedules and curves
- factors affecting demand
 - price
 - income
 - population
 - tastes and preferences
 - prices of substitutes and complements
 - expected future prices
- the effect of changes in price on quantity demanded i.e. expansion or contraction of demand
- the effect of changes in non-price factors on quantity demanded i.e. increase or decrease in demand
- the law of supply
- the relationship between individual and market supply schedules and curves
- factors affecting supply
 - price
 - costs of production
 - factors of production
 - expected future prices
 - number of suppliers
 - technology
- the effect of changes in price on quantity supplied i.e. expansion or contraction of supply
- the effect of changes in non-price factors on quantity supplied i.e. increase or decrease in supply
- the concept of market equilibrium
- the effect of changes in demand and supply on market equilibrium
- the concepts of market clearing, shortages and surpluses
- how the price mechanism clears market surpluses and shortages

Elasticity

- the concept of price elasticity of demand
- the distinction between goods that are price elastic and price inelastic in demand
- determinants of price elasticity of demand
- the link between price elasticity of demand and total revenue
- the concepts of income elasticity of demand, normal goods and inferior goods
- the concept of price elasticity of supply
- the distinction between goods that are price elastic and price inelastic in supply
- determinants of price elasticity of supply
- the significance of price and income elasticity for consumers, business and government

Market failure and government policies

• the concept of efficiency i.e. at equilibrium

- the concept of market failure
- the distinction between a competitive market and an imperfect market
- the concept of market power
- barriers to entry in a market
- how market power can influence market efficiency
- the role of the Australian Competition and Consumer Commission (ACCC) in ensuring market efficiency
- policy options to influence market power, including regulation/deregulation and legislation
- the distinction between positive and negative externalities
- how an externality can influence market efficiency i.e. under and over production
- policy options to correct for externalities including the use of taxes and subsidies
- the distinction between public goods and common resources
- why public goods suffer from the free rider effect
- why common resources suffer from the tragedy of the commons
- policy options to reduce market failure associated with public goods and common resources

• the concept of equity (fairness)

• the relationship between equity and efficiency

• policy options to promote equity

Effects of government policies

• the distinction between price ceilings and price floors

• the effects of price ceilings and price floors

- the effects of a tax on a market
- the effects of a subsidy on a market

Economic skills

Economic research

- identify research questions to investigate
- select appropriate print and electronic media sources of economic information and data on markets
- apply appropriate methods of recording and organising microeconomic information, including spreadsheets, graphs and tables
- apply problem-solving, critical thinking and decision-making strategies to achieve outcomes that may be predictable and contestable by nature

Reasoning, interpretation and analysis

- identify and organise relevant information within sources
- identify trends and relationships in economic information and data on markets
- use economic information and data to make predictions on markets
- apply mathematical techniques relevant to microeconomic analysis, including the calculation of total revenue to determine price elasticity of demand
- use economics models, including demand and supply graphs, to analyse market behaviour and performance
- apply economic reasoning to market behaviour and performance
- use evidence found in economic information and data to justify a conclusion

Communication

- select and use appropriate terminology
- select and use appropriate formats when communicating economic understandings
- use economic models to convey economic theory and reasoning about microeconomic events and issues
- reflect on the investigation process used